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U.S.-E.C. Reach Agreement to Keep U.S. Grain Exports Flowing

WASHINGTON - The United States and the European Commission (EC) have reached an agreement maintaining the current import system for almost all wheat and feed grains from the United States (known as the margin of preference), averting a situation that could have restricted more than \$400 million worth of U.S. grain exports to the European Union (EU).

This is a very important agreement for our feed grain and wheat farmers, said Agriculture Secretary Ann M. Veneman. While we would have preferred no changes to the MOP, we are pleased that we were able to settle this difficult issue with only minimal changes and thus to maintain export opportunities for our producers.

Access to European markets is important to American farmers, and I'm pleased we've been able to resolve this issue and keep our grain exports flowing, said U.S. Trade Representative Robert B. Zoellick. This agreement is a good example of how the EU and the United States can find common ground by working cooperatively.

The agreement will leave in place the MOP commitments for imports of durum wheat, high-quality common wheat, corn, rye, and sorghum. The EC agreed to limit its changes only to certain qualities of wheat that are exported in relatively small volumes by the United States. The EC believes these changes are necessary to correct problems in its current import system.

The U.S. and the EC agreed to the following points:

The margin of preference will remain unchanged for durum and high quality common wheat, the two categories under which most U.S. wheat exports to the EU take place. This will continue to allow U.S. durum and high quality common wheat exports, which recently have risen to more than 1.2 million metric tons, to enter the EU market at zero or very low duties.

For medium and low quality common wheat, the EC provided a formal WTO commitment to allow global imports of up to 2,981,600 metric tons per year at the duty of 12 Euros per metric ton. Of this amount, the United States will receive a country allocation of 572,000 metric tons, which provides access that exceeds any amount the United States has exported to the EU over the past 10 years. (Medium and low quality wheat is characterized by a lower protein content than high-quality wheat.

The margin of preference system will also remain unchanged for all feed grains except barley. The EC provided a formal WTO commitment to allow imports of malting barley of up to 50,000 metric tons per year at the import duty of 8 Euros per metric ton. For varieties of barley other than malting barley, the EC will allow imports of up to 300,000 metric tons per year at a duty of 16 Euros per metric ton. This agreement will allow the United States to maintain barley exports to the EU at low, bound duties.

The new import arrangements for low and medium quality common wheat and barley will start on January 1, 2003.

Under World Trade Organization (WTO) rules, the EU had a legal right to withdraw the MOP which likely would have restricted grain exports from the United States. At the same time the Doha global trade negotiations are moving ahead, we were concerned that the EC was attempting to withdraw hard won concessions that would have decreased market access from the Uruguay Round. In response to the EC proposal, the United States consulted with the governments of Australia, Argentina, and Canada to ensure that our access to EU markets would not be impeded. The EC-U.S. agreement not only benefits U.S. grain producers but producers from Australia, Argentina, Canada, and other countries who export wheat and feed grains to the EU.

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